

## Assessing the Relationship between Sales Quotas and Moral Judgement of Insurance Salespersons: The Moderating Effects of Personal Moral Values, Quota Failure Consequences, and Corporate Ethical Climate

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### Abstract

There is an increasing call for managers in the Nigerian insurance industry to espouse higher level of ethical behaviour to earn the trust of customers, regulatory agencies, and other stakeholders. Arguably, this will enhance market penetration, increase patronage and higher level of profit. Theoretically however, ethical behaviour can be institutionalized in organizations if the top management support ethical behaviour through punishment and reward (high ethical climate). Other than corporate ethical values, managers' beliefs about the rightness and wrongness of an action in a particular situation could also be a function of his/her personal moral philosophy. With respect to financial services, one aspect of marketing which have been empirically shown to have influence ethical judgement and behaviours of managers is sales quotas. When salespersons are assigned higher sales quotas, which are perceived as difficult, the tendency to engage in unethical behaviour to achieve this target becomes higher. In this study, we assess and extend the theoretical relationship between moral judgement of salespersons and perceived quota difficulty in the insurance industry. The study also explores the moderating effects of salesperson's ethical values (idealism and relativism), corporate ethical climate, and quota failure consequences on the proposed relationship. With a structured questionnaire, data was collected from respondents in the target industry through a multi-stage sampling strategy. Exploratory factor analysis was performed to assess the factorial structure of the measures used in the study, their reliability and validity. Using correlation and regression analysis, the results were presented and discussed with managerial implications for the Nigerian insurance industry.

**Keywords:** sales quota, moral judgement, self-efficacy, corporate ethical climate, idealism, relativism, insurance industry, Nigeria.

### INTRODUCTION

The common slogan that insurance is 'sold and not bought' seems to reflect an implicit instruction to insurance salespersons when sales quota is used as performance evaluation. Based on speculation and insight from the literature, the implicit message being conveyed by such slogan is that 'we are interested in what you sell (quantity) and not the way it is sold'. The use of quantitative volume as a determinant of sales performance evaluation (Douthit, 1976; Darmon, 1997) has become widespread (Good and Stone, 1991; Oyer, 2000; Fang et al. 2004) and commonly used in practice (Weitz, 1981; Peck, 1982). Hence, it is crucial to critically examine the managerial implications it portends for the financial industry, particularly insurance industry, where patronage is strongly dependent on trust and confidence. More so, that the behaviour of salespeople is instrumental to determining the reputation of their organizations and consumers are

noted for considering company's reputation when making purchasing decisions (Gilbert, 2003). Understanding how quantitative goal-setting (e.g. sales quota) factors affect salespersons' behaviour is particularly necessary given that goal-setting have some effects on sales behaviours in a paradoxical ways (Shalley, 1995; Rossano and Reardon, 1999). What is sold (quantity) and how it is sold (selling behaviour used to accomplish the sales) represent two extreme points on a continuum, and each has its numerous managerial consequences for the firm (Oliver and Anderson, 1994). When short-term sales goals are emphasised, salesperson might be left with a feeling of do what is necessary and not what is acceptable (Murphy, 2004). The situation is particularly worsened when attractive reward is linked to what is achieved and not how it is achieved<sup>1</sup>.

<sup>1</sup> The problem being addressed in the paper are contained here

While studies have looked at the use of sales quotas in influencing and increasing the performance levels of salespeople (Winer, 1973), and directing some selling behaviours, such as selling products with most quota credit (Schwepker and Good, 1999), the extent to which they affects other critical selling behaviour such as ethical conduct (Schwepker and Good, 1999) has been relatively understudied. This assertion finds strong support from the literature. For example, Schwepker and Ingram (1996), and Schwepker and Good (2011) note that despite the call for research to understand the nexus between salesperson's moral judgments and salesperson's performance, little attention seems to have been paid to these organizational constructs. Among early studies that have examined the impact of sales quotas on ethical conduct, only one has specifically focused on the relationship between sales quota and ethical judgement. In an empirical study, Schwepker and Good (1999), drawing on the works of Kurland (1996) and Bellizzi (1995) extends the theoretical relationship between moral judgement and reward systems by including sales quota. The author hypothesised that salespeople's ethical decision-making will diminish when quota is perceived as difficult. The relationship is proposed to be moderated by ethical climate and consequences for failing to achieve quotas. When ethical climate is high and effective, the negative impact of sales quotas on moral judgment is proposed to lessen. Also leaning on control system from organization theory, the study proposed that perceived quota difficulty will be less likely to negatively impact moral judgment when consequences for failing to make quotas is not grievous. When the consequences are however serious and negative, the tendency for perceived quota difficulty to impact moral judgment is high. Further, the extent to which a quota is perceived as difficult is said to depend on market attractiveness and salesperson's selling ability (self-efficacy). While the study empirically documents that difficult quotas will not necessarily results in unethical decision-making, severe consequences for failing to make quotas are however established to influence moral judgment, particularly when the climate is unethical.

Given this dearth of empirical documentation, the current study replicates Schwepker and Good (1999) on one hand by considering the explanatory power of sales quotas on moral judgment; the relationship among perceived quota difficulty and self efficacy; and the moderating role of ethical climate and quota failure consequences on the relationship between perceived quota difficulty and moral judgment. On the other hand we extend Schwepker and Good (1999) by including in our explanatory/moderating variables, individual moral values as a precursor of

moral judgment. Our study differs from Schwepker and Good (1999) in a number of ways. While respondents in Schwepker and Good were drawn from various financial industries, our study specifically focused on the insurance industry to allow for industry effect. Contrary to Schwepker and Good where the focus was only on salespeople, the current study draws from various categories of personnel from the industry. We based our decision on the peculiarity of the Nigerian environment, where managers' value is largely determined by the amount and volume of business brought into the organisation. Though, we share the view that moral judgment is a precursor to ethical decision-making, we further differ from prior study by proposing that individual moral values impacts moral judgment. This proposed relationship is grounded in theories and supported by empirical evidence<sup>2</sup>.

## LITERATURE REVIEW, THEORETICAL BACKGROUND AND HYPOTHESES

The goal setting literature is replete with empirical documentation of the importance and benefits of goal setting, and its application in various fields, nonetheless, management. The importance of goal setting was clearly explicit in Locke and Latham's (1990) declaration that goal setting is perhaps the most effective managerial tools available. Goal setting has been widely applied in sales management literature as a performance evaluation tool through which salespeople are motivated and controlled. The goal setting literature has generally report that goal performance/accomplishment is highest/greater when goal is difficult and specific (Locke and Latham, 1990; Locke, 1996). Goal specificity and difficulty are also reported to evince higher commitment level towards the achievement of the goal (Locke, 1996). Despite the widely reported benefits of goal setting in the literature, extant studies have however cautioned against the side effects of goal setting, such as unethical behaviour, which may paradoxically hurt the organisation (Ordonez, Schweitzer, Galinsky, and Bazerman, 2009; Schweitzer, Ordonez, and Douma, 2004). Based on this observation and relatively little attention paid to this harmful effect in the literature, Ordonez et al. (2009) have advised that "rather than being offered as an 'over-the-counter' salve for boosting performance, goal setting should be prescribed selectively, presented with a warning label, and closely monitored" (p. 6).

In the context of the current study (i.e. performance evaluation), goal setting has been exhaustively applied to assigned output goals, such as sales volume or quota (Fang, Evans, and Zou, 2005). Also within the industry context of this study, managers have been increasingly called upon to espouse higher level of ethical behaviour to earn the trust of

<sup>2</sup> This section describes the contribution of the paper to knowledge

customers, regulatory agencies, and other stakeholders. Arguably, this will enhance market penetration, increase patronage and higher level of profit. With respect to financial services, one aspect of marketing which have been empirically shown to influence ethical judgement and behaviours of managers is sales quotas. This section therefore takes a cursory look at the ethics and sales management/control literature to provide a background for the theoretical underpinning and hypotheses of the study.

### **Sales Quotas**

Quotas are perhaps the most widely used managerial tool in sales management to motivate and direct the effort of sales representatives (Good and Stone, 1991). It is also frequently used as performance evaluation to assess the productivity of salespeople. Sales quota is captured in the broader concept of control system (Ouchi, 1979), a set of procedure used to monitor, evaluate and compensate sales force (Ouchi, 1979; Anderson and Oliver, 1987; Oliver and Anderson, 1994). It is evident from the literature that control system can be used to achieve performance evaluation, a measure of employees' behaviours and the outcome of those behaviours (Thompson, 1967; Ouchi, 1979). In essence, performance evaluation control system can be either behaviour based (BB) or outcome based (OB). The focus of BB as performance evaluation and compensation is the use of subjective and complex measures of salespersons' behaviours (Cravens, Ingram, LaForge and Young, 1993), which is invoked when the emphasis is more on the process of selling rather than what is sold - outcomes (Anderson and Oliver, 1987). BB offers organisations the opportunity of directing managers and salesforce efforts towards achieving long-term objectives such enhancement of customer goodwill and reputation which in turn make development and sales of new products possible (Anderson and Oliver, 1987). In retrospect, BB enables management to impose the organisation's idea of what salespeople should be and do to achieve results that contribute to long term goals and objective. In this context, management can use BB as an instrument to enculturate salesforce to adhere to the organisation's standard of acceptable conducts and particularly behave in ways that is consistent with its strategy.

When outcome based is used as a control system, the intent is to use output as a measure of performance and a basis for rewarding sales efforts (Anderson and Oliver, 1987; Cravens, Ingram, LaForge and Young, 1993; Oliver and Anderson, 1994). One of the reasons for this is the simplicity with which goals achievement can be linked to individual effort. OB recognises that selling is a difficult occupation and that individuals who have exerted efforts to achieve higher volume should be compensated accordingly. Put in context, OB offers salesforce a fair basis for

rewarding performance particularly where achievement is dependent on hard work (intensity of effort) and selling ability (self efficacy). From this discussion both control systems reflect different managerial philosophies but somewhat similar goals – contribution to profit (Oliver and Anderson, 1994). While this approach contributes to profit, and achievements of the firms' goals and objective in the long-run, it may paradoxically jeopardise the long-term interests of the firm (Anderson and Oliver, 1987). Given that goal-setting, sales quota in this instance, could have some effects on sales behaviours in a paradoxical ways (Shalley, 1995; Rossano and Reardon, 1999), particularly when such goal is perceived as difficult, we propose that sales persons might be tempted to behave unethically in order to achieve this goal. On the basis of this argument, we hypothesise as follows:

**H1:** *There is a negative relationship between moral judgment and perceived quota difficulty*

### **Moderator Variables**

#### ***Corporate Ethical Climate/Values***

Ethical climate refers to "the prevailing perceptions of typical organisational practices and procedures that have ethical content" (Victor and Cullen, 1988, p. 101). In any service organisation, there is a need to keep a constant watch on the ethical conducts of the salesforce. This is because they interface between the organisation and its customers, and are particularly indispensable when an industry is perceived negatively by the people (Roman and Ruiz, 2005). Insurance industry serves as a reference in this context. Within the broader financial sector, attention must be paid to ethical issues because it is increasingly being used as a differentiation strategy through which companies achieve higher revenue, growth and market share (Roman, 2003; Ferrell et al., 2007). While salesforce may have contributed to the negative perception held of an organisation through selling products that satisfy their own interests rather than those of the customers, lying on sales calls and product availability, they may sometimes be acting the scripts written by their organisation. Their conducts may be reflecting the ethical values of their organisations. This assertion is consistent with Hoivik's (2002) observation that organisational structural conditions affect the extent to which employees behave ethically. His observation was found to be true by Jackall (1988) who documents that employees jettison their personal values in order to conform to work situations. Within this context, Hoivik (2002) further theorise that "management may have created organisational bottlenecks, which may be counterproductive when developing and sustaining ethical competence. Empirical findings from Pennings (1970) and Kanter (1977) reveal that employees who are more dependent on their organisations are more likely to bow down to

management pressure to behave unethically (Wahn, 1993), particularly when such pressures are linked to performance evaluation and reward, such as promotion. Within selling context, authors have pointed out that pressure to behave unethically towards customer may be more intense when salespersons are saddled with high sales quotas in uncompetitive environments (Dubinsky and Levy, 1985; Mantel, 2005; Schwepker, 2007).

From the offerings above, salespersons could be found wanting when face with ethical dilemma owing to the ethical climate of their organisations. Insight from the general marketing and sales ethics theories resonates with this conclusion. Prominent ethical models (e.g. Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Ferrell et al., 2007) have long posit that both superiors and peers in the organisation play eminent role in shaping ethical behaviour of employees. Top management have particularly been identified as a forbearance factors in determining ethicality of employees, and should be held responsible when employees misbehave towards customers. Researchers (see for example, Bellizzi and Hite, 1989; Robertson and Anderson, 1993; and Bellizzi and Hasty, 2003) have observed and established that sales managers who are supposed to curb unethical behaviour among salespersons are sometimes found to encourage same through pressure and failure to sanction such behaviours. Put in Hunt's et al. (1989) context of ethical standard (a critical dimension of organisation's corporate culture), which establishes rules for acceptable and unacceptable conduct, salespersons behaviour could reflect high or low ethical standard if such standard is strong or weak. This is because, in addition to establishing standards for conducts, the ethical standard also prescribes rewards and sanctions for compliance and defiance. The role played by ethical climate in shaping the behaviour of employees therefore provides the basis for our second hypothesis. To this effect, we hypothesise that:

**H2a:** *There is a positive relationship between moral judgment and ethical climate*

**H2b:** *The higher the ethical climate the less the negative impact of perceived quota difficulty on moral judgment*

### **Personal Moral Philosophy**

In addition to ethical climate, ethical misconduct could also be a reflection of the moral values hold by individual salespersons. In retrospect, individual ethical behaviour and decision-making can be represented along a continuum, between personal and organisational/situational variables. This contention is grounded in ethical theories and supported by empirical evidence (see for example Hunt and Vitell, 2006). Moral philosophy here captures one of these personal variables. Moral philosophy refers to the

moral values which people invoke when they make ethical decision. According to Forsyth (1992), personal moral philosophy is an integrated conceptual system, consisting of individual's moral beliefs, values, and attitudes. In an earlier work (Schlenker and Forsyth, 1977), moral philosophy was held to sojourn along two dimensions: idealism and relativism.

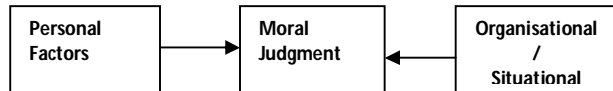


Figure 1: Moral judgment as an interaction between personal and organisational/situational factors

### **Relativism and Idealism**

Relativism and idealism have been used in the ethic literature to parsimoniously explain individual moral values that affect ethical decision-making (see Schlenker and Forsyth, 1977). This theoretical relationship was used by Singhapakdi et al (1996) to establish the predictive validity of the PRESOR scale. Idealism is entrenched in the belief that what is morally right behaviour leads to desirable consequences, reflecting concern for other people's welfare and avoidance of negative consequences to them (Forsyth, 1980, 1992). Relativism however, holds that there is no such thing as a universal moral standard, but rather base ethical decision-making on a situational context. In other words, what is right or wrong, good or bad depends on such things as the individual attitudes or feeling, the individual role, the individual social group and the individual culture (Hopkins, 1997). For example, cultural relativism holds that morality is relative to groups and individuals that make up a culture, and hence there are no universal norms that apply to all people and all cultures; 'what is right is what my society approves of; what is wrong is what my society disapproves (Tsalikis and Fritzsche, 1989, p. ).

Based on the above explanation of idealism and relativism, we have a conceptual reason to theorize that an idealistic salesperson will be more averse to questionable sales practice that could jeopardize the interest of customer and will be less likely to engage in an unethical behavior. Put in proper perspective, perceived quota difficulty will be less likely to impact salesperson moral judgment negatively, if such salesperson upholds ethical ideology of idealism. By the same token, a relativistic salesperson is more likely to engage in unethical practices because of the belief that no such thing as universal moral principles exist and should be applied to every situation. These theoretical explanations provide us with justification to propose our third hypothesis:

**H3a:** *There is a positive relationship between moral judgment and idealism*

**H3b:** *The more idealistic a salesperson is, the less likely the negative impact of perceived quota difficulty on his moral judgment.*

**H3c.** *There is a negative relationship between moral judgment and relativism*

**H3d.** *The more relativistic a salesperson is, the more likely the negative impact of perceived quota difficulty on his moral judgment.*

#### **Quota Failure Consequences**

When effort expended on sales activities fail to produce desired level of results, sales people are usually put at high risk of penalty (Anderson and Oliver, 1987). The penalty could take several forms and varying consequences. Schwepker and Good (1999) posit that if sales persons do not expect any negative consequences for failure to meet sales goal, quota in this instance, the predilection to engage in questionable selling tactics will lessen. The opposite will likely hold when quota failure consequences is severe or harsh. Salespeople will more likely strive to avoid this unfavourable consequence through engagement in questionable selling tactics (Schwepker and Good, 1999). He noted that prior theoretical and empirical works have focused more on desired outcome quota whilst the moderating effect of anticipation of quota failure consequences on moral judgment have been relatively understudied. To therefore fill this gap in the empirical literature, we concur with Schwepker and Good (1999) and propose as follows:

**H4:** *The more negative the consequences for failure to achieve quota, the greater the impact of perceived quota difficulty on moral judgment*

#### **Relationship between Perceived Quota Difficulty and Self Efficacy**

Anderson and Oliver (1987) posit that “selling is a demanding occupation in which success is difficult to predict” (p. 77.). Borrowing from cognitive evaluation theory and with insight from several early works (e.g. Deci, 1975; Deci and Ryan, 1985; Sujun, 1986; and Weiner, 1980), Anderson and Oliver (1987) assert that salespeople do attribute the outcomes of their selling activities (i.e. success or failure) to some factors, which they classified into internal/external locus of causality, stability and controllability. The import of the first dimension of this attribution factors is that individual sales person must feel that they are responsible for their selling outcomes, and this serve as intrinsic motivation. Self efficacy is believed to capture this cognitive factor (intrinsic motivation). Evidence abound in the literature to suggest that self efficacy has enjoyed as much recognition and consistent empirical support as goal setting in the sales and marketing literature as a cognitive determinant of behaviour (Bandura, 1986;

Maddux, 1995). Judge, Jackson, Shaw, Scott and Rich (2007) reported that by 2007, more than 10, 000 investigations have been carried out on self efficacy in various disciplines, 800 of which is published in organizational journals. According to Bandura (1982) self efficacy “is concern with judgment of how well one can execute courses of action required to deal with prospective situations” (p. 122). Bandura (1982) postulates that people on a daily basis continuously engage with decisions of what action to pursue and the length of time to expend on the ones selected. He reasoned that getting the decision right has a considerable functional value while getting it wrong brings adverse consequences. This largely accounts for why people avoid some activities and undertake some. Efficacy judgment therefore serves as a determinant of quantum and duration of effort to expend to achieve a particular task, even in the face of obstacles. While those who doubt their capabilities to achieve a particular task slacken their effort or even give up when met with obstacles, those with high sense of efficacy muster more effort to overcome the obstacles and accomplish the task (Bandura, 1982).

Stajkovic and Luthans (1998) in a meta-analytic study reported that many empirical studies have demonstrated that self efficacy is positively related to different motivational and behavioural outcomes, such as job search (Ellis and Taylor, 1983), insurance sales (Barling and Beattie, 1983), research productivity in academic institutions (Taylor, Locke, Lee and Gist, 1984). Studies in industrial organizational psychology have also used the theory for different purposes, ranging from performance evaluation (Bartol, Durham, and Poon, 2001) to leadership (Chen and Bliese, 2002), stress (Jones and Xie, 2001; Jex and Gudanowski, 1992) and negotiation (Stevens and Gist, 1997). Within sales performance literature, self efficacy was found to predict number of calls made by insurance sales persons, the quantity of policies sold and sales revenue in a year (Barling and Beattie, 1983). Replicating Barling and Beattie, Lee and Gillen (1989) with 160 respondents, drawn from a large manufacturing corporation, failed to establish a positive relationship between self efficacy and sales quota. They however opine that self efficacy may be capable of predicting performance only when the individual concerned is in control of that performance. Based on this inconsistency, and to enhance replication of Schwepker and Good (1999) there is a need to further probe the relationship between efficacy and sales performance. Aside from the inconsistencies, and in line with Bandura’s conceptualization of self efficacy, one would reasonably expect sales persons who are efficacious at selling to perceive quota as not being difficult, while less efficacious sales persons would do. We therefore state our fourth hypothesis as follows:

**H5:** *There is a negative relationship between self efficacy and perceived quota difficulty*

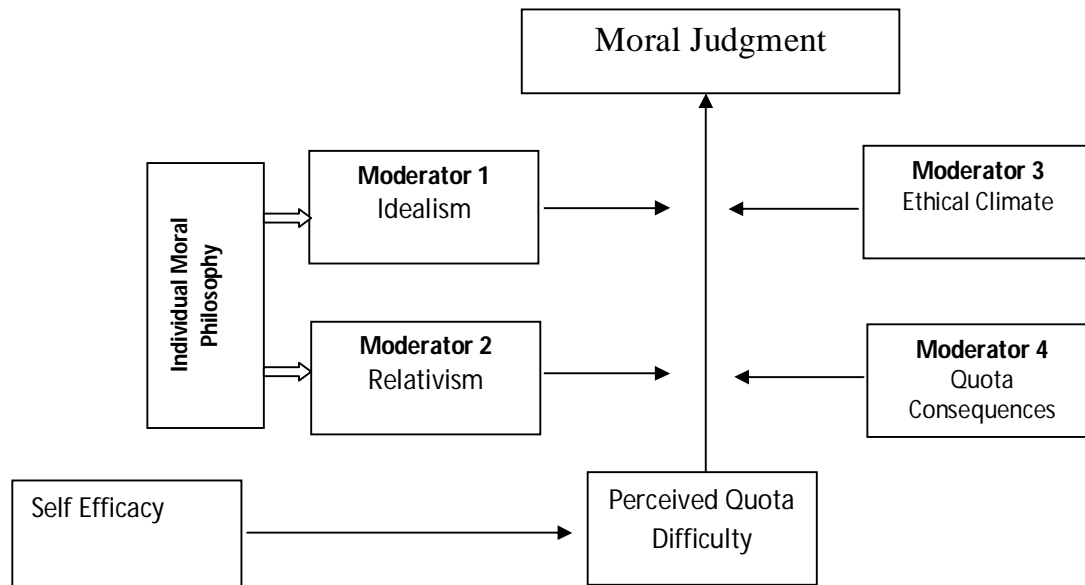


Figure 2: Conceptual Framework

## METHODS

### Sample and Data Collection

Given the clustering of registered insurance companies in Lagos, respondents for this study were carefully selected through a multi-stage sampling process. Having achieved the sampling frame, a total of 300 hundred questionnaires were sent by hand delivery to the selected companies for completion by three levels of employees, namely: lower level, middle level, and management level. The delivery method was chosen for a number of reasons. First, and most importantly, the postal system in the country is characterised by inefficiency and sometimes non-delivery report of sent mails. Second, the selected companies were clustered in a particular geographical location (i. e. Victoria Island) and separated by few hundred meters in some cases; hence it was deemed more cost and delivery effective to send the measures by hand. After several visitations to the selected companies, a total of 145 questionnaires were retrieved for the various analyses intended for the study. A careful examination of the returned questionnaire revealed that 32 questionnaires were not well completed and their inclusion would have affected the analysis conducted, so they were excluded. After this exclusion, 113 useable responses were achieved, which represent 38% response rate. This response rate compares favourably with studies of this nature (see for example, Fang et al. 2005; Schwepker and Good, 1999; Murphy, 2004; Fang, Palmatier, and Evans, 2004). It is not unusual to have non-response rate in sales management/control studies due to the nature of response probe (Good and Stone, 1995). For instance,

Schwepker and Good. (1999) note that the sensitive nature of ethics related question may discourage some respondents from answering all the questions in a questionnaire. Furthermore, where respondents are not promised any gift or sponsorship, non-response rate is usually common.

Consistent with similar studies, some of which is mentioned above, majority of the respondents were males (61.9%). Approximately 56% of the respondents were aged between 31 and 45 years; 54% were married and 44% single. 66%; 25% and 2% have spent between 1-5; 6-10, and 11-15 years respectively. The respondents ranged from underwriter (31%) to marketers (22%) and those classified as others (23%). Approximately 48% of the respondents were either university or polytechnic graduates. Approximately 18% works in life companies; 59% in general business and 23% in composite companies (i.e. both life and general business).

### Measuring Scales

**Perceived Quota Difficulty:** The perceived quota difficulty scale (QD) used by Schwepker and Dood. (1999) was adopted to measure this construct, and the three items that made up the scale were measured using 7-point Likert scales ranging from 1 – “strongly disagree” to 7 – “strongly agree”. Two items that were positively worded were reverse coded. Because, the measure did not pass the factorability test, the three items were not summed to obtain a total score, rather, one of the items “the chance of me achieving my assigned quota is very high”, which was reversed

coded, where higher scores indicate perceived quota difficulty.

**Moral Judgment:** Moral judgment was measured through Reidenbach's et al. (1991) multidimensional ethics scale which was also used by Schwepker and Good (1999) in his study. Some adjustments were made to the scale to make it amenable to the industry of interest. Respondents were required to read three unethical scenarios used in the scale in relation to quota performance and then asked to judge the actions of the sales person viz-a-viz eight statements on a 7-point Likert scales that range from 1 – “very strongly disagree” to 7 – “very strongly agree”. The items were aggregated and higher scores indicate higher moral judgment.

**Ethical Climate:** The ethical climate measure initially used in Schwepker Jr., Ferrell and Ingram (1997) and later in Schwepker and Good (1999) was adapted to measure ethical climate on the same Likert scales as above. The scale contains various statements in relation to enforcement of code of ethics, reward and punishment and top management support for ethics. Summation of the items enables us to assess the performance of each of the respondents on this scale, where higher scores indicate a perceived higher ethical climate.

**Individual Moral Philosophy:** Individual moral philosophy was measured using Forsyth's (1980) “ethics position questionnaire” (EPQ) scale. The EPQ originally contains 20 items that appeared to capture the domain of individual ethical philosophies. The scale has been generally validated as a two-dimensional constructs, which were labeled idealism and relativism, and have been shown to have good internal consistency (see for example, Forsyth's (1980),  $\alpha$ : 0.80 and 0.73; Singhapakdi et al (1996),  $\alpha$ : 0.84, 0.77; Yaman and Gurel (2006),  $\alpha$ : 0.84 and 0.79; Vitell and Hidalgo (2006),  $\alpha$ : 0.87 and 0.85; Redfern and Crawford (2004),  $\alpha$ : 0.86 and 0.70; Vitell et al (2003),  $\alpha$ : 0.87 and 0.82).

**Quota Failure Consequences:** Quota failure consequences scale used by Schwepker (1999) was used to capture this construct in the current study. The eight items that made up the scale were reworded to allow for aggregation while ensuring that their original meanings are still maintained. Responses were also sought and measured on a 7-point Likert scales mentioned above.

**Self Efficacy:** Sales persons' ability to sell, captured by self efficacy construct was measured by a six items scale previously used in other studies. Sales person were required to respond to this items on a 7-point Likert scales ranging from 1 “very strongly disagree” to 7 “very strongly agree” and their responses were aggregated to obtain total scores. Higher scores on this scale indicate a more efficacious selling ability.

### Psychometric Assessment of the Scales

Principal Component Analysis (PCA), similar to Factor Analysis was used to assess the dimensionality of the measures. While both PCA and FA are employed to achieve similar results, i.e., “to produce a smaller number of linear combinations of the original variables in a way that captures most of the variability in the pattern of correlations” (Pallant, 2010, p. 182), preference for PCA can be seen in the literature because of its psychometric soundness and mathematical simplicity. To this effect, PCA was used to assess the factorial structure of the scales. All the scales except Quota difficulty passed both the statistical tests of Kaiserr-Meyer-Olkin (KMO), a measure of sampling adequacy and Bartlett's Test of Sphericity for statistical significance. These tests confirm the factorability (or otherwise) of the data collected through the scales. The results are shown in tables 2.

Table 2: KMO and Bartlett's Test for the study variables

Variable	**KMO	*BTS (App 72)	Df.	Sig.
Moral Judgment	.770	477.575	28	.000
Quota Difficulty	.540	34.613	3	.000
Ethical Climate	.845	373.668	21	.000
Individual Moral Philosophy	.716	891.887	190	.000
Quota Failure Consequence	.709	266.773	28	.000
Self Efficacy	.771	177.111	15	.000

\*\*Kaiserr-Meyer-Olkin Measure of sampling adequacy

\* Bartlett's Test of Sphericity

The exploratory factor analysis conducted confirmed the uni-dimensional structure of the Quota difficulty with a total variance of 52.95% and Cronbach's Alpha value of .54. One-factor solution was achieved for moral judgment (MJ), ethical climate (EC), and self efficacy (SE) scales through scale refinements. The initial factor analysis for moral judgment scale results in a two-factor solution with 69.3% cumulative variance. An attempt to achieve a one-factor solution for all the eight items result in 51.38% explained variance and multiple loading of items 7 and 8. When the two items were deleted a one-factor solution was obtained with a total explained variance of 62.6%. The reliability analysis further conducted confirmed this 6-items one-factor solution as optimal. The 6-items solution gives a Cronbach's Alpha value of .86 compared to the 8-items solution of .62. Similarly, items 7 and 4 were deleted to achieve a one-factor solution for EC and SE respectively. The one factor solution of EC explained a total variance of 62.92% and Cronbach's Alpha value of .88. A Cronbach's Alpha value of .80 was achieved for the SE one dimensional structure of 5 items and a total explained variance of 56.3%.

Consistent with previous validations, the ethics position questionnaire (EPQ) results in a two-dimensional structure, labelled as idealism and relativism. With two items (7 & 8) deleted, the idealism sub-scale has a Cronbach's Alpha value of .83 while nine items of relativism, excluding item 1 produced Cronbach's Alpha value of .82. Both the idealism and relativism dimensions explained a cumulative variance of 44.7%. We could not achieve a one-factor solution for the Quota Failure Consequences (QFC) scale like the other scales validated in Schwepker (1999) as one-dimensional construct. Our eventual solution resulted in a two-factor solution labelled as "no negative consequence" and "negative consequence". The "no negative consequence" sub-scale was made up of items 1-4 while the "negative action" sub-scale consists of items 5-8. Both factors explained a cumulative variance of 58%. The two factors have Cronbach's Alpha values of .76 and .70 respectively. The psychometric properties of all the scales are presented in table 3.

Table 3: Psychometric Properties of Measuring Scales

Variable/Items	Factor Loading	Cronbach's Alpha Value
<i>Moral Judgment</i>		
MJ1	.77	<b>.86</b>
MJ2	.81	
MJ3	.86	
MJ4	.84	
MJ5	.75	
MJ6	.68	
<i>Ethical Climate</i>		
EC1	.83	<b>.88</b>
EC2	.82	
EC3	.81	
EC4	.81	
EC5	.78	
EC6	.70	
<i>Idealism</i>		
IDL1	.74	<b>.83</b>
IDL2	.60	
IDL3	.70	

IDL4	.74	
IDL5	.83	
IDL6	.74	
IDL9	.57	
IDL10	.46	.83
<i>Relativism</i>		
REL2	.63	
REL3	.44	
REL4	.67	
REL5	.68	
REL6	.71	
REL7	.76	
REL8	.58	
REL9	.69	
REL10	.55	.82
<i>No Negative Consequence</i>		
NNC1	.71	
NNC2	.77	
NNC3	.86	
NNC4	.62	.76
<i>Negative Consequence</i>		
NC1	.66	
NC2	.52	
NC3	.93	
NC4	.71	.70
<i>Self Efficacy</i>		
SE1	.76	
SE2	.71	
SE3	.76	
SE5	.84	
SE6	.68	.80

## ANALYSIS AND RESULTS

In order to test the proposed relationships between the criterion/outcome variable (Moral Judgment-MJ), predictor variable (Quota Difficulty-QD) and moderator variables (Ethical Climate-EC; Idealism-IDL; Relativism-REL; and Quota failure consequences-QFC: No Negative Consequence-NNC and Negative Consequence-NC), correlation analyses were performed. The strength of the correlation among these variables as measured by Pearson product-moment correlation coefficient is shown in table 4.

Table 4: Correlation among the study variables

S/N	VAR	QD	MJ	IDL	REL	NNC	NC	EC	SE	MEAN	SD/
1	QD	1.000								3.27	1.33
2	MJ	-.012	1.000							29.72	6.74
3	IDL	.532**	-.190*	1.000						42.27	7.35
4	REL	-.133	.014	-.021	1.000					37.79	8.22
5	NNC	.014	-.065	.055	.139	1.000				15.75	4.85
6	NC	.045	.055	.126	.233*	.348**	1.000			15.93	4.37
7	EC	.389**	.102	.222*	.089	.048	.261**	1.000		29.32	6.32
8	SE	.269**	-.084	.212*	.132	.051	.130	.170	1.000	24.80	4.76

\*\* Correlation is significant at the 0.01 level (2-tailed)

\*. Correlation is significant at 0.05 level (2-tailed)

Though the negative relationship proposed between moral judgment and quota difficulty holds true, the relationship is however not significant. This initial step indicates that hypothesis 1 might not be supported. The proposed relationship between moral judgment and ethical climate holds true but not significant as shown by the correlation. Because this

relationship will still be assessed with regression analysis, we cannot conclude at this stage that hypothesis 2a is not supported. While a significant relationship is found between quota difficulty and self efficacy, the relationship is however not in the proposed direction. As indicated in table 8, self efficacy correlates positively with moral judgment, thus showing partial support for hypothesis 5.



We test for the moderating effect of ethical climate, idealism, relativism and quota failure consequences using hierarchical moderated multiple regression (MMR). This is contrary to Schwepker and Good's (1999) study which uses median split. We refrained from using median split because of the limitations observed in the literature regarding the use of this method. Authors have held that using median split when either of the variables (predictor or moderator) is measured on continuous scale may result in information loss and reduced ability to detect interaction effects or spurious main and interaction effects where one is detected (Frazier, Barron and Tix, 2004; MacCallum, Zhang, Preacher and Rucker, 2002; Aguinis, 1995; Stone-Romero and Anderson, 1994). Furthermore, we use hierarchical MMR because it results in fewer type I and Type II errors compared to median split (Frazier et al., 2004; Aguinis, 1995; Stone-Romero and Anderson, 1994).

To therefore test that the relationship between quota difficulty and moral judgment is moderated by ethical climate, idealism, relativism, no negative consequence, and negative consequence, we test the interaction between the predictor variable (quota difficulty) and each of our proposed moderators. In order to avoid multi-collinearity problem and enhance interpretation of the effects of the predictor and moderators, we converted QD and each of the moderator variables into Z scores, such that they have zero means and standard deviation of one, through centering and standardizing. We then created

interaction variables by multiplying ZQD with the standardized scores of ethical climate, idealism, relativism, no negative consequence, and negative consequence (i.e.,  $ZQD*ZEC$ ;  $ZQD*ZIDL$ ;  $ZQD*ZREL$ ;  $ZQD*ZNNC$ ;  $ZQD*ZNC$ ). These product terms (variables) were labelled QDECINTER, QDIDLINTER, QDRELINTER, QDNNCINTER, and QDNCINTER respectively.

To perform the moderation analyses, we regressed moral judgment (MJ) on quota difficulty (QD) and our hypothesized moderator variables in the first step (model 1) and our interaction product terms in the second step (model 2). The  $R^2$  Change is 0.015 when we added the interaction variables to the predictor (QD) and moderator variables. As shown in table 5, the change is not significant,  $F(5, 99) = 0.50$ ,  $p = 0.776$ . From this result, our hypothesized moderators (ethical climate, idealism, relativism, no negative consequence, and negative consequence) did not moderate the relationship between our predictor (quota difficulty) and the criterion (moral judgment) variables. Conclusively, hypotheses 2b, 3b, 3c, 3d, and 4 are therefore not supported. However, both ethical climate and idealism were significant positive predictors of moral judgment. Ethical climate explains approximately 10% variance in moral judgment while idealism contributes 23% to the variance in moral judgment. Hypotheses 2a and 3a are therefore confirmed.

Table 5: Testing Moderator Effects Using Hierarchical Multiple Regression

Step & Variable	B	SE B	95% CI	$\beta$	T value	Sig. of T
<b>Step 1</b>						
QD	0.30	0.40	-0.49, 1.09	0.06	0.76	0.45
EC	0.35	0.09	0.17, 0.52	0.32	3.97	0.00
IDL	0.43	0.07	0.29, 0.58	0.48	5.91	0.00
REL	-0.12	0.06	-0.24, 0.01	-0.14	-1.83	0.07
NNC	0.02	0.11	-0.21, 0.24	0.11	0.13	0.89
NC	-0.11	0.13	-0.37, 0.15	-0.07	-0.83	0.41
<b>Step 2</b>						
QD	0.43	0.43	-0.41, 1.28	0.09	1.02	0.312
EC	0.34	0.10	0.14, 0.53	0.31	3.41	0.001
IDL	0.46	0.08	0.30, 0.62	0.50	5.75	0.000
REL	-0.10	0.07	-0.23, 0.03	-0.13	-1.54	0.128
NNC	0.01	0.12	-0.23, 0.25	0.01	0.08	0.938
NC	-0.14	0.14	-0.42, 0.14	-0.09	-1.00	0.318
QDECINTER	-0.30	0.61	-1.15, 0.91	-0.05	-0.49	0.625
QDIDLINTER	-0.35	0.42	-1.29, 0.48	-0.07	-0.84	0.406
QDRELINTER	-0.38	0.56	-1.49, 0.73	-0.06	-0.68	0.496
QDNNCINTER	-0.18	0.60	-1.36, 1.00	-0.03	-0.30	0.764
QDNCINTER	-0.67	0.54	-0.41, 1.74	-0.12	-0.24	0.220

$R^2 = 0.40$ ; Adjusted  $R^2 = 0.37$ ;  $R^2$  Change = 0.40;  $F = 11.58$ ; Sig. of  $F = 0.000$

$R^2 = 0.415$ ; Adjusted  $R^2 = 0.350$ ;  $R^2$  Change = 0.015;  $F$  Change = 0.499; Sig. of  $F$  Change = 0.776

When we regressed quota difficulty on self efficacy to test hypothesis 5, the beta coefficient of -0.084 ( $t = -0.892$ ,  $p = 0.374$ ), though confirmed the direction of the hypothesized relationship, is not statistically significant to confirm the hypothesis. The model is

also not significant with an Adjusted  $R^2$  of -0.002 [ $F(1, 111) = 0.796$ ,  $p = 0.374$ ]. Hypothesis 5 is therefore not supported.

Table 6: Hypothesized Relationships and their Outcomes

HYPOTHESIS	HYPOTHEZIZED RELATIONSHIP	OUTCOME
1	There is a negative relationship between moral judgment and perceived quota difficulty	Not Supported
2a	There is a positive relationship between moral judgment and ethical climate	Supported
2b	The higher the ethical climate the less the negative impact of perceived quota difficulty on moral judgment	Not Supported
3a	There is a positive relationship between moral judgment and idealism	Supported
3b	The more idealistic a salesperson is, the less likely the negative impact of perceived quota difficulty on his moral judgment	Not Supported
3c	There is a negative relationship between moral judgment and relativism	Not Supported
3d	The more relativistic a salesperson is, the more likely the negative impact of perceived quota difficulty on his moral judgment.	Not Supported
4	The more negative the consequences for failure to achieve quota, the greater the negative impact of perceived quota difficulty on moral judgment	Not Supported
5	There is a negative relationship between self efficacy and perceived quota difficulty	Partially Supported

## DISCUSSION AND MANAGERIAL IMPLICATIONS

Given that the proposed negative relationship between perceived quota difficulty and moral judgment is not significant; this implies that assigned difficult quota might not necessarily results in ethical compromise by salespersons. This finding is consistent with prior study which also documents lack of relationship (see for example, Schwepker and Good, 1999). Nonetheless, management need to be cognisant of the potential role that assigned quota difficulty might play in ethical judgment. This is particularly true when one consider the direction of the relationship in the current study, which is negative. The lack of significant relationship reported here might be due to some other inputs which have not been mentioned here but play a mediation role. While the relationship is also not moderated by ethical climate, the positive relationship between moral judgment and ethical climate does suggest that this construct plays a positive role in sensitising salespersons to the acceptable standard of behaviour in their selling activities. This finding is consistent

with that of Singhapakdi and Vitell (1991) that ethical climate impacts salespersons perceptions of ethical problems. Similar finding is also reported in Murphy (2004). As noted by Murphy (2004), companies who enculturate and socialise salesforce with the companies' ethical guidelines are less likely to have reported cases of unethical behaviour. As part of the management watch on the potential role of sales quota on ethical behaviour, it should therefore demonstrate through actions that acting unethically is not an option even where challenging quotas are assigned. Perhaps, this could be achieved if management emphasizes customer satisfaction and well being, captured as "customer-oriented selling" in the literature in their organizational culture and sales management philosophy, which are obviously corporate ethical climate domains.

The positive relationship between moral judgment and idealism also suggest the influential role of individual moral philosophy in situations of high ethical dilemma. This finding is consistent with prior empirical findings that moral judgments vary according to one's position on idealism and relativism scales (Forsyth, 1980, 1985, 1992; Forsyth and Pope, 1984; Tansey, Brown, Hyman and Dawson, 1994; and Davies, Anderson and Curtis, 2001). For example, findings from Forsyth (1992) suggest that idealists are most negative towards illegal business practices...and would also be more likely to object to legal but ethically questionable behaviour. This finding is also grounded in ethical theory. For example, those who share high level of idealism and low level of relativism (absolutists) are known for their advocacy for positive consequences and strict adherence to general moral principles. They abhor actions that will bring harm to people or violate any known moral principles, thus suggesting concern for welfare of others. People with this moral philosophy are said to be guided by Kant's categorical imperative of "do what you desires that others should do under similar circumstances" (Panton, 1948). Empirical evidence revealed that absolutists are harsh in condemning an action where it was foreseeable that such action will results in high negative consequences or when such negative consequences were intended (Forsyth, 1981). This finding thus calls management attention to the kind of salesforce they recruit and the need to re-assess and retrain salesforce on ethical issues. As suggested by Tansey et al. (1994), individual moral philosophy and its taxonomy can be used as an effective instrument in selecting salesforce and to monitor changes in the ethical behaviour of the existing ones. A recruitment process that ignores the potential role of idealism construct therefore implies that management is only paying lip services to good ethical values. One can also speculate based the positive relationship found between ethical climate and moral judgment that strong ethical climate serve as a strong signal from

management that unethical behaviour would not be tolerated, such that even if a salesperson upholds relativism ideology, his/her moral judgment might not be swayed significantly in a negative direction..

Contrary to our expectation, the relationship between perceived quota difficulty and self efficacy produced a mixed outcome. While the two constructs are significantly related, the positive outcome as opposed to the negative outcome expected leaves one with the feeling that salespersons in this study are less efficacious and this portend serious implications for management. Because self efficacy determines the effort to expand on a given task, salespersons who have doubt about their ability are more apt to slacken their effort when met with obstacles in the selling arena or even give up completely (Bandura, 1982). Such salespersons would most probably look for external reasons to account for failure rather than looking inwards. As noted by Schwepker and Good (1999), salespersons with low self confidence are more likely to perceive their assigned quota as being difficult, even when this did not hold true, and this could ultimately lead to dissatisfaction and turnover intention. Given the influential role of self efficacy in sales performance, management therefore need to gauge the self confidence of newly recruited salesforce and continually re-assess the existing ones.

On the other hand, the paradox of the self efficacy and perceived quota difficulty findings could be explained in the light of observation in the literature which suggest that self efficacy might work in some conditions and not work in some (Judge, Jackson, Shaw, Scott, and Rich, 2007). One of such conditions where self efficacy might not serve a useful purpose of galvanizing sales performance is when assigned task is characterised by complexity (Judge et al. 2007). This is because such tasks, as observed by Bandura (1997), are multifaceted thus requiring different capabilities from the performer to achieve success. Self efficacy has also been found to have limited utility where the sales outcome is largely outside the control of the salespersons (Lee and Gillen, 1989)

#### **LIMITATIONS AND SUGGESTION FOR FURTHER STUDIES**

Notwithstanding the results of this study, there are some caveats which should be observed in view of the limitations in the methodology employed, particularly in operationalising the focal variables. Though we could not establish any moderation effect in our study, this could be due to limitations noted in the literature in relation to the use of hierarchical MMR rather than the constructs examined. While sample size needs to be generally large in order to detect effect size, given the positive relationship between sample size and statistical power in any inferential test (Cohen, 1988), the sample size in our

study is considerably low, and this could be responsible for the failure to establish any moderation effect. This limitation could be overcome by determining the sample size needed to achieve a particular level of desired power, even at the planning stage of the research (Aguinis, 1995; Frazier et al. 2004). Stone-Romero and Anderson (1994), and Aguinis (1995) suggest that sample size must at least be 120 to be able to detect medium and large effect. Asides from increasing the sample size, Jaccard and Wan (1995) suggest that including additional significant predictor of the criterion variable (based on theory) in the model as covariates could enhance multiple correlation between the full model and the criterion variable, and thus decrease power effect.

In addition, measurement error in either the predictor or moderator variable, which reduces the reliability of the interaction term drawn from them could also lower the power of test (Aguinis, 1995; Frazier et al. 2004) as is the case in the current study. It would be recalled that the three items in our predictor variable could not be summed because the data collected did not pass the test of sampling adequacy. When we attempt to assess the reliability, the Cronbach's Alpha value fell considerably below the threshold of .80 (Nunnally, 1978) suggested in the literature. In light of this, one of the items, "the chance of me achieving my assigned quota is very high" (which was reversed scored) was used. So, future research should endeavour to increase the scale items, such that even if few have to be dropped, total score can still be achieved. We also noted as a possible limitation in our study, scale coarseness, a situation whereby the criterion variable does not have sufficient response options, leading to information loss. Aguinis (1995) note that to have sufficient responses for the criterion variable where the predictor and moderator variables have been measured on 7-point Likert scales, the product term should have possible response range of  $5 \times 5 = 25$ -point scale, otherwise the relationship between Y and  $X*Z$  is lost, thus preventing moderation effect from being detected (Frazier et al., 2004; Aguinis, 1995).

#### **CONCLUSION**

We set out in this study to assess the relationship between perceived quota difficulty and moral judgment of insurance salespersons. Several variables that could moderate this relationship, based on theoretical offerings were also considered. While no significant interaction was detected in our analysis, the results suggest that assigned difficult quota might not necessarily lead to questionable sales practices and poor moral judgment. The findings also suggest that a good ethical climate and the idealism dimension of individual moral philosophy could foster good moral judgment and evince higher ethical decision from salespersons. We speculated in our discussion based on the positive relationship between

self efficacy and perceived quota difficulty and insight from the self efficacy literature that such relationship, if it holds true, might be an indication of the complexity of the assigned quota, which management should address in the sales planning and quota assignment.

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